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Strengthening of the coordination of humanitarian and disaster relief assistance of the United Nations, including special economic assistance: special economic assistance to individual countries or regions

Economic assistance to the Eastern European States affected by the developments in the Balkans**

Report of the Secretary-General

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* A/58/150.
** The report was submitted late due to late arrival of replies from some Member States and international organizations.

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I. Introduction

1. In its resolution 56/110, the General Assembly expressed concern at the persistence of the special economic problems confronting the Eastern European States affected by the developments in the Balkans, in particular their impact on regional trade and economic relations and on navigation along the Danube and the Adriatic Sea. The Assembly encouraged the affected States of the region to continue and enhance the process of multilateral regional cooperation in the fields of transport and infrastructure development, including the resumption of full navigation on the Danube, as well as to foster conditions favourable to trade, investment and private-sector development in all the countries of the region. The Assembly invited the relevant international organizations to take appropriate steps in order to broaden access for interested local and regional vendors and to facilitate their participation in the international assistance efforts for reconstruction, recovery and development of the region.

2. The General Assembly requested the Secretary-General to report to the Assembly at its fifty-eighth session on the implementation of resolution 56/110. The present report has been prepared in response to that request.

3. Pursuant to that request, the Secretary-General, in a note verbale dated 1 July 2003, invited all Governments to communicate to him information on action taken by them to alleviate the special economic problems of the Eastern European States affected by the developments in the Balkans. In addition, the relevant international organizations and the concerned regional bodies were invited to provide updated information on their assistance activities on behalf of the affected countries. Substantive features of the replies received are summarized below. Space limitation did not allow for the inclusion of the inputs in full, which are available online at www.un.org/esa/policy/reports/reports.htm. Previous reports under this agenda item include documents A/55/620 and Corr.1 and A/56/632.

II. Economic situation in the affected States

4. Seven countries in South-Eastern Europe — Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Romania, the former Yugoslav Republic of Macedonia, and Serbia and Montenegro[1] — have been identified as the most seriously affected economies in the region. Hungary, Slovakia, the Republic of Moldova and Ukraine also reported a negative economic impact from the developments in the Balkans.

5. The regional economy has been destabilized by the break up of the former Federal Republic of Yugoslavia and almost a decade of violent conflicts in the Balkans. In addition, the economic sanctions imposed by the United Nations and the oil embargo imposed by the European Union (EU) and the North Atlantic Treaty Organization (NATO) amounted to a strong external shock in addition to the negative consequences of military operations and thus aggravated an already severe transformational recession.

6. The depth of the total output decline in South-Eastern European countries ranged from a decline to 71 per cent of the pre-transition level of 1989 in the former Yugoslav Republic of Macedonia to a decline to 41 per cent of the 1989 level in Serbia and Montenegro. Central European countries began to recover from their transformational recession after 1993 and their gross domestic product (GDP)

surpassed pre-transition levels in 1998-2000. In contrast, GDP in South-Eastern European countries still remains below 90 per cent of its 1989 level.

7. The economic stagnation has led to high unemployment. According to Economic Commission for Europe (ECE) estimates,[2] between 1989 and 1998 employment in South-Eastern European countries fell on average by more than one quarter, nearly twice the rate of decline in central Europe. In 2002, the rates of registered unemployment continued to rise in those countries, with the exception of Bulgaria and Croatia, to an average level of 17 per cent.[3]

8. The foreign trade of all the neighbouring countries was adversely affected. The loss of the Yugoslav market in itself was a serious blow for the economies of some of the neighbouring countries. The direct effect from the loss of that market is likely to be greatest in the case of the former Yugoslav Republic of Macedonia, which formerly sent more than 9 per cent of its total exports to the former Federal Republic of Yugoslavia. The impact is also likely to be serious for Bosnia and Herzegovina, Bulgaria and Romania, where the relative importance of the former Federal Republic of Yugoslavia as an export market was also significant. For most of the neighbouring countries, however, the disruption of the transport routes has probably been the most serious source of dislocation.[4] With the exception of Bosnia and Herzegovina, most South-Eastern European economies, for which the European Union (EU) is the main trading partner, either experienced losses of exports and imports or had to use alternative costly transport routes.

9. Conflicts, political unrest and general instability in the region have been a strong deterrent to foreign direct investment (FDI). Only Croatia is rated as an investment-grade risk and has regular access to commercial finance; Bulgaria and Romania are sub-investment grade but have achieved certain degrees of access to commercial finance. Other countries are limited largely to bilateral and multilateral financing assistance.

10. Thus, few countries in the region have managed to embark on a path of sustained growth and many of them still face basic problems of macroeconomic stabilization. Moreover, South-Eastern European countries have been lagging behind in the process of integration into the European economy. Only Bulgaria and Romania have become EU accession candidates and only Croatia and the former Yugoslav Republic of Macedonia are members of the World Trade Organization and have concluded stabilization and association agreements with the EU (those agreements have still not been ratified by some current EU members).

III. Information regarding economic assistance to the affected States

11. The Stability Pact for South-Eastern Europe, which established a political commitment on the part of the countries of the region and the international community to achieving peace, stability and prosperity in South-Eastern Europe, continues to provide the assistance framework for bilateral donors and for regional institutions, as well as for the United Nations system. Some donors reported a shift in their interventions from humanitarian emergency relief to assistance towards the reconstruction of infrastructure and institution-building.

A. Communications received from States

Austria

12. Austria's assistance covers all the affected countries, with special emphasis on Bulgaria and Romania. Within the Stability Pact, Austria holds the chairmanship of the task forces on education and youth and on trafficking in human beings, as well as the co-chairmanship of the investment compact initiative for the promotion of the private sector.

13. In 2002, Austria provided support for a network of business schools in Albania, the former Yugoslav Republic of Macedonia and Romania. Investment promotion comprises technical assistance in the form of training and advice on the preparation and monitoring of projects, as well as in the area of safeguarding the long-term effect of investment measures.

14. Examples of Austria's aid projects in South-Eastern Europe include a fund to provide machines and production facilities for small businesses in Romania, which, in partnership with a Romanian organization, has created or sustained about 2,000 jobs over the past six years. In Albania, Austrian know-how was used to update the water supply and sanitation system of the provincial capital Shkodra. In the Posavina region of north-eastern Bosnia, the rebuilding of houses will enable up to 140 families of all ethnic groups to return home from the collective centre in Zenica.

Denmark

15. Denmark has granted reconstruction assistance and some humanitarian relief to the Western Balkans, amounting to the equivalent of $230 million since 1999. About $25 million was granted in 2002-2003, the bulk of which was provided to Kosovo. Assistance was provided mainly through NGOs, private enterprises and local institutions, for reconstructing houses and infrastructure; addressing environmental pollution; resettling returning refugees and internally displaced persons; providing counselling, education and vocational training; supporting small-scale economic activities; and building institutional capacity.

Germany

16. Germany contributed a total of almost 700 million euros to the affected countries and other countries in the region between 2000 and 2003, including Albania (75.5 million euros); Bosnia and Herzegovina (59 million euros); Bulgaria (29 million euros); Croatia (16 million euros); the former Yugoslav Republic of Macedonia (42.9 million euros); Republic of Moldova (3 million euros); Romania (42.7 million euros); Serbia and Montenegro (243.4 million euros); and regional projects (152.6 million euros).

Greece

17. Greece contributed bilaterally about 70, 90 and 78 million euros to the affected countries in 2000, 2001, 2002, respectively, for technical cooperation, humanitarian and financial assistance. The bulk of assistance went to Serbia and Montenegro. In the same period, contributions were also made to non-affected countries.

Italy

18. Italy, the biggest bilateral donor to Albania, has committed assistance amounting to 202 million euros for the period 2002-2004. Priority fields of interventions are infrastructure, small and medium-sized enterprises (SMEs) development, health, agriculture, education and public administration. In 2000, Italy also restructured 3.76 million euros of Albania's debt.

19. In Bosnia and Herzegovina, Italian assistance amounted to 47.4 euros in the years 2001-2002, 29.4 million euros of which was bilateral assistance, devoted to health initiatives, infrastructure development, social support, energy, agriculture, environment, economic development, SMEs, training and capacity-building. Italy also approved a credit of 18 million euros to develop SMEs.

20. In the former Yugoslav Republic of Macedonia, Italy has committed a total of 20 million euros for humanitarian and emergency activities for refugees (health, infrastructure, support to SMEs). In the future, priority will be given to private-sector development and to institutional reforms.

21. In Kosovo, Italy committed 27 million euros to emergency activities. Priority fields are training and employment support, health, environment, agriculture and safeguarding cultural heritage. In the future, Italian activities will focus on the improvement of social and economic conditions in Kosovo, aiming at stabilization in the area.

22. In Serbia and Montenegro, Italy is the biggest bilateral donor. Until September 2000, Italian activities were limited to humanitarian assistance. After that time, Italy committed 148 million euros to emergency activities, privatization, industrial restructuring, reform of the financial sector, management of foreign investment and training.

Mexico

23. Mexico supported the admission of the former Yugoslav Republic of Macedonia to membership in the International Vine and Wine Office in 2002 and maintained a positive stance towards closer involvement by Serbia and Montenegro in international trade arrangements and economic cooperation organizations. Mexico was in the process of formalizing, for the first time, the accreditation of Mexican diplomatic representatives to Bosnia and Herzegovina and the former Yugoslav Republic of Macedonia to provide greater support to the affected countries.

Poland

24. Poland contributes to the fulfilment of the Stability Pact's objectives by initiating and co-financing projects in which Polish NGOs are taking part. In the period 2000-2001, training programmes were implemented to support the development of local administration and the creation of a civil society in Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, and Serbia and Montenegro, including Kosovo.

25. The Polish Ministry of Foreign Affairs participated in the financing of four projects of Polish NGOs designed for beneficiary countries of the Stability Pact, one in the former Yugoslav Republic of Macedonia, one in Kosovo and two regional projects.

26. Poland contributed $20,000 to the International Organization for Migration and $15,000 to the Office of the United Nations High Commissioner for Refugees.

27. Poland signed an agreement with the Government of Serbia and Montenegro, under which that country's remaining debt to Poland ($2.66 million) will be treated as Polish aid within the Stability Pact; a credit of $50 million was granted to Serbia and Montenegro for purchasing Polish power-generating equipment. Poland also provided training in some South-Eastern European countries.

Slovak Republic

28. Slovak Republic development assistance will focus on a limited number of affected countries. The Ministry of Foreign Affairs of the Slovak Republic approved in September 2002 the indicative list of the recipient countries of Slovak official development assistance (ODA). The first programme country will be Serbia and Montenegro.

29. In the field of democratization, the Bratislava Process played a crucial role in former Yugoslavia.

30. The Slovak Republic will provide $1.5 million within its national ODA plan for its Bratislava-Belgrade fund, which was created to establish an international legal framework of Slovak ODA for Serbia and Montenegro.

31. The medium-term policy on ODA and the national plan on ODA in 2003 clearly stipulated the territorial and sectoral priorities of ODA provided by the Slovak Republic. A detailed thematic and multi-year time framework of development activities is elaborated in the strategy of assistance for Serbia and Montenegro.

Spain

32. Spain, through its development assistance fund, credited 36 million deutsche mark for the reconstruction of the Mostar hydroelectric power station in 1997, 3.5 million United States dollars for the reconstruction of the telephone system in 1999 and 3.3 million euros for water treatment and purification in 2002 to Bosnia and Herzegovina. It also credited more than 14 million euros to the former Yugoslav Republic of Macedonia for hydraulic interventions in 2001.

33. Spain's concessional financial assistance pledged under bilateral financial cooperation programmes included grants of 10 million United States dollars for a Spanish-Albanian financial cooperation programme (in progress) and 1 million United States dollars for project feasibility studies; a grant of 50 million euros for a prospective financial cooperation programme with Serbia and Montenegro; and a grant of 7 million United States dollars for the reconstruction of the electrical system in Bosnia and Herzegovina.

Switzerland

34. Switzerland has been a member of the Stability Pact since 2000 and is the first donor country of the investment compact, a Stability Pact initiative to promote an environment conducive to investment in the region.

35. In 2002, Switzerland provided 38.4 million Swiss francs in financial assistance to the South-East European States affected by the developments in the Balkans.

36. Ukraine estimates that the losses incurred by its economy as a result of the Security Council sanctions on Serbia and Montenegro that were in effect during the period 1992-1995 totalled about $4.5 billion. The Ukrainian Danube Shipping Company has been affected the most and suffered losses of about $440 million. In addition, navigation along the Danube, which was significantly reduced as a result of the destruction of bridges during the NATO military operation in 1999, has not been yet fully restored. As a result, the Danube shipping fleet and enterprises of the Ukrainian Ministry of Transportation have operated at only 60 per cent of their productive capacity and continued incurring losses due to smaller cargo shipments, the costs of keeping the fleet idle while waiting for the opening of the pontoon bridge in the town of Novi Sad and charges paid to Serbia and Montenegro for opening the bridge. As of 1 August 2003, those losses were estimated at about $170 million.

B. Response of the United Nations system

1. Specialized agencies

Food and Agriculture Organization of the United Nations

37. The Food and Agriculture Organization of the United Nations (FAO) has implemented, since 1994, agricultural interventions in Albania, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, and Serbia and Montenegro; in total, it has funded about 90 projects at a cost of some $75 million. Most interventions (87 per cent) focused on the provision and delivery of agricultural inputs, while the rest focused on improving the coordination of emergency agricultural interventions and strengthening the institutional capacity of government institutions to assess damages inflicted on the agricultural sector and improve preparedness. Approximately three quarters of all project funds were disbursed in Bosnia and Herzegovina and Kosovo, reflecting the massive scale of the damage that resulted from the crises there.

38. Initially, activities concentrated on emergency assistance to Bosnia and Herzegovina. Some 29 emergency projects for a total amount of $20.7 million were implemented. Subsequently, FAO assisted the Government in formulating agriculture and forestry rehabilitation projects, for which World Bank funding was secured in the amount of $90.8 million. Since May 2000, FAO has been implementing a soils inventory project ($1 million) financed by the Government of Italy. Norway has provided funding for a project to be implemented by FAO that aims to establish a fish hatchery, which will benefit vulnerable groups, such as war invalids and internally displaced persons. It is also assisting in non-farm income-generation activities.

39. Since 1999, FAO has shifted the focus of its emergency operations in Kosovo to assisting returnees and internally displaced persons, in recommencing agricultural production. A total of 35 emergency assistance projects have been implemented, representing an expenditure of $40 million. An assistance programme is being prepared on the rehabilitation and development of the province. Currently, one project is ongoing on a strategy on education and training for agriculture and rural development ($258,000) and two projects are pending on a support unit for rural sector development ($500,000) and a pilot project on resettlement of minorities and

confidence-building between minorities and Albanian communities in Kosovo ($450,000).

40. At the end of 2000, FAO provided emergency assistance to Serbia and Montenegro. An FAO emergency coordination unit in Belgrade is coordinating its support for agricultural relief and rehabilitation assistance. Out of 10 emergency and development projects amounting to $7.1 million which have been implemented, six are ongoing activities ($5.3 million).

41. In the former Yugoslav Republic of Macedonia, FAO set up an emergency programme: an emergency coordination office was established in Skopje and seven projects on rehabilitation and development activities and amounting to $4.2 million were undertaken.

42. FAO contributes to development support to Albania, Bulgaria, Croatia, Hungary, the Republic of Moldova, Romania and Slovakia. It supports the modernization of the agriculture sector, food security and forestry development in Albania ($9.3 million). In the Republic of Moldova, FAO is supporting the implementation of modern small-scale on-farm irrigation technologies. After successfully completing activities in support of the wine production sector, assistance is being extended to the national codex committee to develop a strategy for grain production and several emergency projects related to natural disasters ($1.6 million). Albania, Bulgaria, the Republic of Moldova and Romania are benefiting from an FAO project on institutional strengthening to facilitate intraregional and interregional agricultural trade. Other ongoing regional projects are assistance for the control of transboundary diseases in livestock, a training programme on meat inspection and meat technology, and conservation of the Pinzgau cattle breed.

43. A pan-European conference on food safety and food quality was held in Budapest in February 2002. The FAO Regional Conference for Europe, held in July 2002, reiterated its support for the Balkan countries.

International Labour Organization

44. The International Labour Organization (ILO) provided services in employment creation analysis, social security protection and tripartite social dialogue. Assistance has been carried out at the subregional and country levels, stimulating cooperation between accession and Stability Pact countries.

45. In the area of employment creation, the ILO continued to develop projects on business-sector development, often linked to existing or newly created local economic development schemes, as was the case in Bosnia and Herzegovina, Bulgaria, Croatia and Serbia. For that purpose, ILO training methodology was adapted to the local conditions ("Start and improve your business"). The "Flexicurity" project has been launched in Croatia, Hungary, Lithuania and Poland to enhance Governments' and social partners' understanding of the interrelations between employment and social protection systems and improve their skills in developing policy proposals. The "Labour market indicators library network" project is providing assistance to strengthen the capacity of ILO constituents to process and manage labour statistics and to facilitate access to up-to-date labour market indicators. A project focusing on war disabled persons in Bosnia and Herzegovina, financed by the Government of Germany, has helped to place a number of persons with disabilities in the labour market through retraining

programmes. The vocational rehabilitation capacities of a national medical rehabilitation centre were reinforced. Another project was launched that provides assistance to Bulgaria and to Serbia and Montenegro in developing laws and modern vocational rehabilitation structures for persons with disabilities.

46. In the area of social security, the ILO has launched a project covering eight countries of South-Eastern Europe, financed by the Government of France, to strengthen the governance of social protection schemes. In November 2002, the ILO, the Government of France and the Council of Europe held a pension conference in Ljubljana for Stability Pact countries.

47. A project financed by France and Italy has been launched in the eight Stability Pact countries to build the capacity of workers' and employers' organizations to deliver services to their members and to engage in social dialogue, as well as to expand the institutional capacity of ministries of labour to deal with labour law and to develop mechanisms for tripartite social dialogue. A network of government officials dealing with labour law and labour relations has been established. The ILO provides support to develop a sound framework for social dialogue and tripartism in Serbia and Montenegro and to set up a legal and institutional framework for the good governance of the labour market.

International Monetary Fund

48. The International Monetary Fund (IMF) provides assistance to promote macroeconomic stability and structural reforms in South-Eastern European countries. Since 1999, IMF has increased its financial assistance under existing and new arrangements by special drawing rights (SDR) 10 million in Albania, a cumulative SDR 34 million in Bosnia and Herzegovina and SDR 10 million in the former Yugoslav Republic of Macedonia. In Bulgaria, a two-year standby arrangement for SDR 240 million was approved in February 2002. So far, SDR 162 million has been disbursed. In Romania, an IMF standby arrangement, equivalent to SDR 400 million, was approved in August 1999 but expired in February 2001. A successor standby arrangement of SDR 300 million was approved in October 2001. Thus far, SDR 190 million has been disbursed. In Croatia, a standby arrangement in the amount of SDR 200 million covered a 14-month period, from March 2001 to May 2002, but no purchases were made. A successor arrangement in the amount of SDR 106 million covering a 14-month period ending in April 2004 was approved in February 2003; again, no purchases have been made.

49. Serbia and Montenegro received post-conflict emergency assistance from IMF in the amount of SDR 117 million in December 2000, followed by a standby arrangement in the amount of SDR 200 million approved in June 2001. An extended arrangement was approved in May 2002 in the amount of SDR 650 million, of which SDR 200 million had been disbursed as of June 2003. In Bosnia and Herzegovina, a new standby arrangement in the amount of SDR 68 million was approved in August 2002, of which SDR 44 million was disbursed as of end-June 2003.

50. Shortly after the Ohrid Peace Framework Agreement ended the insurgency crisis in the former Yugoslav Republic of Macedonia, a six-month IMF staff monitored programme was agreed on, which set out a policy framework to underpin donor support of the Agreement. This was followed by a standby arrangement in the

amount of SDR 20 million, of which SDR 4 million was disbursed on approval in May 2003.

51. IMF has continued to provide technical assistance, including training of local officials at the IMF Institute in Washington, D.C. and the Joint Vienna Institute. IMF has also been providing extensive technical assistance to Kosovo under Security Council resolution 1244 (1999).

United Nations Educational, Scientific and Cultural Organization

52. The United Nations Educational, Scientific and Cultural Organization (UNESCO) convened a high-level conference on strengthening cooperation in South-East Europe (Paris, 4 and 5 April 2002) and presented a strategy paper for action in South-East Europe.

53. In the field of education, financial support was provided to universities in Croatia, Romania and Serbia and Montenegro. UNESCO, in cooperation with the United Nations Interim Administration Mission in Kosovo (UNMIK) and other partners, has developed a pilot project for the training of Kosovar teachers in democratic skills and human rights. The UNESCO/Stability Pact project "Education for democratic citizenship: from policy to effective practice through quality assurance in South-Eastern Europe" was launched in February 2003 in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Romania, Serbia and Montenegro and Slovenia. UNESCO co-organized a regional conference on lifelong learning in Europe on the theme "Moving towards the goal of Education for All and the agenda of the Fifth Conference on Adult Education" (Bulgaria, November 2002). UNESCO contributed to the literacy programme for Albanian-speaking girls and women. The UNESCO Institute for Information Technologies in Education has launched a project for South-Eastern Europe on information and communication technology usage in education. UNESCO has also initiated with the World Association of Newspapers a project on media in education in South-Eastern Europe that offers opportunities to young people to learn critical reading and to raise awareness of the role of the media in democratic society.

54. In the field of culture, a project on intercultural mediation was extended until 2003. Training sessions in the field of mediation and intercultural management were also developed in Bosnia and Herzegovina for participants of the whole region.

55. In the field of communication and information, UNESCO set up a printing plant in Serbia and Montenegro (expected to be operational in September 2003) to provide services to independent newspapers on fair commercial terms. UNESCO also provided support to the South-East European News Exchange for Public Service Television Broadcasters, a network for facilitating the production, transmission and reception of news programmes in the region.

56. A series of two-month training courses on advanced network administration and design were organized by UNESCO in 2002 in the region.

United Nations Industrial Development Organization

57. The United Nations Industrial Development Organization (UNIDO) has worked within the framework of the Stockholm Convention on Persistent Organic Pollutants with a view to developing national implementation plans. Technical

cooperation programmes to that end are under way in Croatia and Romania and are planned in other countries.

58. In Croatia and the former Yugoslav Republic of Macedonia, UNIDO has provided technical assistance for capacity- and institution-building in the area of cleaner production. UNIDO has worked on transferring environmentally sound technologies to Romania, Bulgaria and Croatia. Some projects are in the areas of bio-diesel production, municipal solid waste management, corporate social responsibility, food safety and quality training and advisory services and development of SMEs in the food-processing sector.

59. UNIDO has provided assistance in the refrigeration, rigid and flexible foams, and methyl bromide sectors, in order to phase out the utilization of ozone-depleting substances. Ozone secretariats were developed in most countries of the region. UNIDO has been engaged in preparing national ozone-depleting substances phase-out plans, and halon bank management programmes.

60. UNIDO has organized regional forum activities on technology foresight and on industrial cooperation and partnership, as well as an international forum on strategies and priorities for environmental industries.

World Bank

61. The World Bank assistance focuses on helping Governments of the affected countries in their efforts to promote macroeconomic stability, private-sector and human and social development, and strengthening governance, not only at all levels of government but also in the corporate sector. The Bank is an active member of a number of regional grouping and donor coordination mechanisms, including the Stability Pact. In terms of regional initiatives, the World Bank has been involved in supporting trade and transport facilitation, a regional free trade area and energy market, and the poverty reduction forum for South-East Europe, among others. The World Bank has helped pilot a number of programmes under which one country could benefit from the experience of others in the areas of conflict prevention and community development, cadastre and property right systems, strengthening the investment and the business environment, and water and environment management.

World Health Organization

62. The World Health Organization (WHO), together with the Council of Europe, organized an ad hoc South-Eastern Europe health network, which developed and agreed on a common methodology and carried out a strategic review on the access to health for vulnerable population groups in South-Eastern Europe in all countries. Subsequently, the first Health Ministers Forum (Dubrovnik, September 2001) was organized with the participation of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Romania, and Serbia and Montenegro. It resulted in the signing of the Dubrovnik pledge on meeting the needs of vulnerable populations in South-Eastern Europe.

63. Seven regional projects were developed, four of which have attracted interest to date from Stability Pact partners, including France, Greece, Italy, Slovenia and Sweden. A total of 4 million euros was mobilized for their implementation. Three of the projects are in the areas of mental health services (869,500 euros), communicable diseases surveillance (338,000 euros), food safety (300,000 euros).

The fourth project aims at the reconstruction and modernization of the Anrija Stampar School of Public Health in Croatia and is financed by a loan totalling 2.8 million euros from the Council of Europe Development Bank.

2. United Nations programmes and funds

International Fund for Agricultural Development

64. International Fund for Agricultural Development (IFAD) investment activities, mainly in Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia and Romania, focus on combating poverty in difficult rural areas. A regional strategy paper for rural poverty reduction in central and eastern Europe and the newly independent States, adopted in February 2002, has been validated by Governments and shared with the donor community in an effort to assist in the formulation of Government rural poverty alleviation strategies.

65. In Albania, IFAD's focus on marginalized areas was expanded to national coverage of mountain area districts by means of the ongoing mountain areas development programme, which is financed by a $13.2 million loan and $0.5 million grant (co-financed by the United Kingdom and the Netherlands) and aims to raise living standards throughout Albania's mountain areas. The programme is continuing to finance the provision of rural financial services, small-scale irrigation rehabilitation and support for farmers in their agricultural income-generating activities.

66. In 2000, IFAD reoriented its strategy in Bosnia and Herzegovina from emergency aid towards the sustainable development of the rural economy. It provided a $14 million loan to finance a livestock and rural finance development project. The project seeks to develop a replicable model of sustainable, small-scale commercial livestock.

67. In the former Yugoslav Republic of Macedonia, IFAD is currently financing an ongoing southern and eastern regions rural rehabilitation project and the agricultural financial services project for a cumulative IFAD loan value of $16.2 million.

68. In Romania, IFAD is financing an ongoing Apuseni development project established in 1999 with a loan of $16.5 million, co-financed with a $2.5 million grant from the Government of Germany. The project seeks to support government policies encouraging the development of market-oriented, small commercial farming enterprises and cottage industries in disadvantaged rural areas.

United Nations Conference on Trade and Development

69. The United Nations Conference on Trade and Development (UNCTAD) provided technical assistance to several affected countries on trade facilitation, investment promotion, transport services and training.

70. As at mid-2003, UNCTAD's Automated System for Customs Data (ASYCUDA) is operational in Albania, Bosnia and Herzegovina, Romania, Slovakia and the former Yugoslav Republic of Macedonia. ASYCUDA speeds up customs clearance, thus minimizing administrative costs to the business community. It increases customs revenue and produces reliable and timely trade and fiscal statistics.

71. UNCTAD's debt management and financial analysis system programme continued to provide technical assistance in public debt management and financial analysis in Albania, the former Yugoslav Republic of Macedonia, the Republic of Moldova and Romania.

72. UNCTAD continues to provide technical assistance and advisory services to the Governments of the former Yugoslav Republic of Macedonia, and Serbia and Montenegro to help process their application for accession to the World Trade Organization.

73. UNCTAD's investor targeting strategy report for Albania assessed Albania's current and future potential as an FDI destination. An Albanian investment promotion agency was established, and in 2003 UNCTAD organized follow-up activities, including a three-day training workshop on international best practices in investment promotion and investor targeting and a resources mobilization event for the agency, which resulted in pledges being made by UNDP, South Europe Enterprise Development and the International Finance Corporation.

United Nations Environment Programme

74. The United Nations Environment Programme (UNEP) shifted its activities from emergency relief to long-term environmental reconstruction. In 2000, UNEP co-sponsored Balkan Task Force identified 27 clean-up projects in Kosovo, including four high-priority projects that required $20 million. UNEP contribution amounted to $12.5 million for activities undertaken between 2000 and 2003. Between 2000 and 2001, UNEP conducted post-conflict environmental assessments and feasibility studies in Albania and the former Yugoslav Republic of Macedonia, implemented a project in Albania and other preparatory clean-up activities, and conducted capacity-building programmes on hazardous waste management.

75. UNEP has published three environmental assessments of depleted uranium in the Balkans in Kosovo (March 2001), Serbia and Montenegro (March 2002) and Bosnia and Herzegovina (March 2003). Each assessment concluded that the sites presented no immediate radioactive or toxic risks to the environment or human health. Precautionary measures, however, were recommended. Other UNEP activities included capacity-building in multilateral environmental agreements, such as the Convention on Biological Diversity, and support to environmental information management and dissemination.

United Nations Children's Fund

76. The United Nations Children's Fund (UNICEF) has continued to provide assistance to South-Eastern Europe with a focus on promoting healthy lives for all children, providing quality education, protecting against abuse, exploitation and violence, and combating HIV/AIDS. UNICEF activities include an integrated management of childhood illnesses programme in Albania, Kosovo, and Serbia and Montenegro, where training was provided to a large number of health-care practitioners and parents. Vaccination programmes were extensively implemented in Bosnia and Herzegovina, Bulgaria and Kosovo. Activities to eliminate iodine-deficiency disorders were implemented in Bulgaria and Romania.

77. UNICEF provided training to teachers, developed new curricula and improved school infrastructure in most South-Eastern European countries.

78. UNICEF assisted marginalized ethnic groups, including Roma and internally displaced persons, to access social service and integrate into society, particularly in Albania, Kosovo, Romania, and Serbia and Montenegro. In Albania, UNICEF is supporting a programme for the social development of disadvantaged youth. A national strategy on juvenile justice was prepared in Bulgaria and another is under review in Croatia. Programmes for the promotion and protection of children's rights are ongoing in Kosovo, with provision of training to police, prison officers and social workers. In Bosnia and Herzegovina, UNICEF supported the development of a state plan of action for children, 2002-2010, and the establishment of a council for children to monitor its implementation.

United Nations Development Programme

79. The United Nations Development Programme (UNDP) has delivered more than $293 million to the affected Balkan countries since 1998. UNDP programmes seek to improve overall economic conditions by facilitating an enabling environment. Specific programmes are described below.

80. *Economic recovery through microfinance and SMEs*. UNDP has implemented income and employment-generating programmes in Albania, Bosnia and Herzegovina, Bulgaria, the former Yugoslav Republic of Macedonia, and Serbia and Montenegro, including Kosovo. In Bosnia, Croatia and Kosovo, UNDP has also implemented microfinance and SME programmes to further strengthen private-sector development and economic growth.

81. *Foreign direct investment*. UNDP has already been engaged with specific FDI promotion activities for Bosnia and Herzegovina and the former Yugoslav Republic of Macedonia, and is a co-organizer and sponsor of a major FDI summit for the countries of the region, to be held in Bucharest in October 2003.

82. *Public administration reform*. UNDP is implementing a multi-donor capacity-building fund in Serbia and Montenegro to support the reform process through training, technical assistance and logistical support. In Bosnia and Herzegovina, UNDP has embarked on a comprehensive civil service capacity-building programme. In Albania, Kosovo and the former Yugoslav Republic of Macedonia, UNDP is working on public administration reform through local governance activities.

83. *Rule of law*. UNDP is currently engaged in rule of law programmes in Serbia and Montenegro.

84. *Security and small arms reduction*. UNDP is implementing a number of small arms reduction programmes in the region, including Albania, Bosnia and Herzegovina, Bulgaria, the former Yugoslav Republic of Macedonia, and Serbia and Montenegro.

85. *Information technology*. UNDP is hosting the information technology for development secretariat in Sarajevo, and is the implementing arm of the Stability Pact's South-Eastern Europe Small Arms Center, based in Belgrade. UNDP has also recently joined the Stability Pact's Business Advisory Council.

86. *Economic development*. In partnership with the United Nations Foundation, UNDP has developed a subregional programme for the region which emphasizes economic development through trade, building civil society engagement, unlocking

the informal economy, and supporting development in vulnerable, trans-border regions.

Office of the United Nations High Commissioner for Refugees

87. The Office of the United Nations High Commissioner for Refugees (UNHCR) has implemented its regional transitional strategy adopted by its humanitarian issues working group in June 2002. Humanitarian assistance arising from the crises of the 1990s will be completed by mid-2004. It ended in 2002 in the former Yugoslav Republic of Macedonia with the return of more than 95 per cent of all internally displaced persons and refugees to their homes of origin. More broadly, long-term sustainability needs for returning minority refugees and internally displaced persons are not being fully met in the Balkans. Large investments are still needed to achieve the objectives of the Dayton peace accords. With significant political changes in the region, durable solutions in situ are now possible for many of the remaining refugees and internally displaced persons who do not wish to return home. However, the gap between financial requirements and available resources widens every year. In coordination with European Union community assistance for reconstruction, development and stabilization country and regional programmes and the Stability Pact migration and asylum initiative, UNHCR is advancing its medium- to long-term strategy of establishing effective national asylum systems, through building institutional capacity, within appropriate legislative frameworks and implementation procedures, which are consistent with international and European standards.

88. UNHCR's contribution to these efforts over the years has been diminishing in line with the overall transition strategy and with the achievement of immediate humanitarian objectives. In 2002, UNHCR programme budgets for the subregion totalled some $87.0 million, half of it for Kosovo. Local procurement is encouraged whenever possible: local contracts for $6.9 million have been awarded as follows: Albania, $87,000; Bosnia and Herzegovina, $1,453,000; Croatia, $1.1 million; the former Yugoslav Republic of Macedonia, $1.4 million; and Serbia and Montenegro, including Kosovo, $2,628,000.

World Food Programme

89. The World Food Programme (WFP) has provided emergency food assistance to refugees, internally displaced persons and vulnerable populations and established local social assistance networks. In 2002, WFP ended its regional emergency operation for the Balkans, phasing out its operations in Kosovo in June 2002 and in the former Yugoslav Republic of Macedonia in March 2002. Assistance is being continued in Serbia and Montenegro and in Albania through country-specific protracted relief and recovery operations amounting to $23 million.

90. In Serbia and Montenegro, the ongoing 18-month operation that commenced on 1 July 2002 provides assistance to refugees. Originally planned for 140,000 beneficiaries, it is being gradually phased down and by the end of 2003 is expected to reach about 60,000 refugees. In Kosovo, WFP had participated in the establishment of a social assistance scheme to help the most vulnerable people after the termination of WFP assistance. WFP also took the lead in establishing an inter-ethnic consortium of local NGOs.

91. The operation in Albania provides assistance to the most vulnerable families, mainly through a forestry and pasture project carried out in conjunction with the

Government and the World Bank. There is also a food-for-work component to build assets for the rural poor and support vulnerable women. The project provides food assistance, worth $6.7 million, to 63,000 beneficiaries.

C. Regional initiatives and arrangements

European Bank for Reconstruction and Development

92. The European Bank for Reconstruction and Development (EBRD) has recently expanded its activities considerably in the countries of South-Eastern Europe. Annual signed commitments by EBRD in the region have been steadily increasing, from 335 million euros in 1999 to 1.2 billion euros in 2002, of which 840 million euros (71 per cent) represent private-sector commitments. EBRD also mobilized 306 million euros in commercial co-financing in 2002, up from 98 million euros in 2001, and 816 million euros in official co-financing in 2002, up from 287 million euros in 2001. EBRD support was directed mainly to infrastructure (40 per cent), financial institutions (23 per cent) and industrial enterprises (20 per cent).

93. EBRD is financing 21 out of a total of 51 regional Stability Pact infrastructure projects in the region; of the total cost of 2.1 billion euros, EBRD is providing 800 million euros.

94. Under the EBRD trade facilitation programme, an overall coverage limit in the amount of 125 million euros was extended to 29 banks of the region. As of end-2002, guarantees had been issued for 707 trade transactions worth 121 million euros. Seven microfinance institutions in Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, the Republic of Moldova, Romania, and Serbia and Montenegro were established by EBRD, together with other shareholders and with the support of donors. As of the end of 2002, those institutions had extended 55,000 loans for a total amount of $336 million (in cumulative terms), and had a portfolio of 29,000 outstanding loans worth $161 million.

95. Under a framework facility with the European Commission for the financing of SMEs in EU accession countries, EBRD has provided dedicated SME credit lines to 10 banks in Bulgaria and Romania for a total of 128 million euros; as of the end of 2002, 2,300 loans had been extended. With the support of the Italian Treasury, EBRD has set up SME equity funds in Albania and Kosovo for 18 million euros, which as of the end of 2002 had invested in 16 local enterprises. Under the turnaround management programme and business advisory services, advisory and management support was provided to 524 SMEs in the region.

96. As of 31 December 2002, EBRD had cumulative commitments in the region valued at close to 5.3 billion euros, distributed among 228 projects and representing 16.8 billion euros of total project value, with private-sector commitments accounting for 58 per cent; the outstanding portfolio amounted to 3.8 billion euros. Cumulative gross disbursements to the region have reached 3.37 billion euros, representing 64 per cent of cumulative commitments. As of the end of 2002, the EBRD project pipeline (deals under preparation but not yet signed) remained strong, at 1.8 billion euros, two thirds of which was private.

97. EBRD's cumulative volume of commitments with banks (equity, credit lines and guarantee products with a total of 56 banks) and other financial institutions represents a total of 1.15 billion euros as of end-2002. Private equity funds in which

EBRD has participated have a total committed capital of over 446 million euros to invest, of which 286 million euros had been disbursed as of end-2002.

98. In infrastructure, as of 31 December 2002 cumulative EBRD commitments to the region amounted to 2.1 billion euros for 68 projects, with a total project value of 7.4 billion euros. The new infrastructure projects under consideration in the region stood at 19 projects, amounting to 3.2 billion euros, for which EBRD is considering committing 830 million euros in financing.

European Investment Bank

99. The European Investment Bank (EIB) is progressively increasing its long-term lending in the region. During the period 2000-2002, the combined financing effort of EIB, EBRD and the World Bank has been estimated at over 3 billion euros, with EIB's share at almost 40 per cent. EIB focuses on financing infrastructure reconstruction and also development of the private sector, in particular SMEs. Within the "quick start" package, EIB was given responsibility for managing 11 individual projects, 7 of which were in the western Balkan countries, and 3 regional studies on transport infrastructure, air traffic infrastructure and environmental management. Following the sixth meeting of the infrastructure steering group in March 2003, a list of 51 projects was drawn up, with an estimated cost of 3.8 billion euros in key infrastructure and environment areas. Of the total amount, 55 per cent will be spent on projects in the western Balkans, with Serbia and Montenegro taking the largest portion. EIB will provide 0.8 billion euros.

100. EIB signed a loan for financing the construction of new cement production line worth 25 million euros in Bosnia and Herzegovina. It represents the first direct financing to a private-sector operation. This form of financing by EIB is expected to continue to grow. Over the next three years, EIB plans to provide a total of 1.2 billion euros of new financing in support of 2.6 billion euros of new project investment — an increase of one third over the previous three years.

European Union

101. The European Union, adopted in June 2003 the "Thessaloniki agenda for the western Balkans: moving towards European integration", which represents an important new step in the relationships between the EU and the western Balkans.

102. In November 2000, the EU granted the western Balkans almost free access to its markets for practically all goods, which has served as a catalyst to the development of a network of free-trade agreements among the countries of the region. Regional trade integration is also expected to attract additional FDI to the region.

103. Much progress has been made within the community assistance for reconstruction, development and stabilization programme, in particular in the fields of energy, trade and transport.

104. *River basin management.* The Danube cooperation process was established in May 2002 and includes Bosnia and Herzegovina, Croatia, Serbia and Montenegro, and the former Yugoslav Republic of Macedonia, as an observer. The framework agreement on the Sava River Basin was established in December 2002 and signed by Bosnia and Herzegovina, Croatia, Serbia and Montenegro and Slovenia. It focuses on water management, navigation and environmental protection.

105. *Transport*. A transport infrastructure regional study was completed in June 2002. A regional Balkans infrastructure study on transport will develop policies in a number of key issues in this area. Memoranda of understanding were signed in 2002 on the pan-European corridors VI (the Danube river) and VIII (linking Italy with Turkey via routes through Albania, Bulgaria, the former Yugoslav Republic of Macedonia and Greece) — both of critical importance for the region.

106. *Energy*. A memorandum of understanding on the regional electricity market in South-Eastern Europe and its integration into the European Union internal electricity market was signed in November 2002. It launched the "Athens process" that commits all the countries of the western Balkans, Bulgaria, Greece, Romania and Turkey (with Austria, Italy, Hungary, the Republic of Moldova and Slovenia as observers) to a medium-to-long-term plan to create the conditions for a functioning electricity market in South-Eastern Europe and alignment with the EU electricity network. During 2003, the European Commission intends to set out the basic principles for a regional approach to the gas market in South-Eastern Europe. The Commission will propose extending the internal energy market to the region as a whole on a legally binding basis.

107. *Environment*. The western Balkan countries are participating in the regional environmental reconstruction programme, and cooperating with the European Environment Agency in order to connect the western Balkans to the European Environment Information and Observation Network. The community action programme promoting environmental NGOs was extended to the western Balkans in 2002.

108. *Science and technology*. The European research area project and the launch in 2002 of the sixth research and technological development framework programme (2002-2006) link western Balkan policies in this area with those of the Member States and the candidate countries. The participation of scientists and institutions from the western Balkans will be encouraged.

109. A project on business infrastructure in the Odessa Oblast, Lower Danube Euroregion, launched in January 2003, focuses on the south-western part of the Odessa Oblast and its relations with Romania and the Republic of Moldova.

Organisation for Economic Cooperation and Development

110. The Organisation for Economic Cooperation and Development (OECD) assists the development and reconstruction of the region, mostly under the investment compact and anti-corruption initiative, adopted in February 2000. OECD has also launched initiatives that support reform efforts of the countries in the areas of education, statistics, trade, public administration and energy.

111. Under the South-East Europe compact for reform, investment, integrity and growth, the partners seek to improve and encourage investment and the development of a strong private sector by developing strategies and implementing actions on policy reform through country fact sheets, regional flagship initiatives and monitoring instruments. OECD co-manages the regulatory governance initiative, which aims to assist countries in promoting a favourable climate for investment. The second and third meetings of the South-Eastern Europe Corporate Governance Round Table, held, respectively, in Istanbul in May 2002 and Zagreb in November 2002, focused on transparency, disclosure and the responsibilities of the board of a

company. A white paper on corporate governance in South-Eastern Europe was published in early 2003. Agreed phases of work on regional flagship initiatives in the areas of competition policy and tax policy design were completed. The Regional Round Table on Investment Promotion meets two or three times a year. OECD, together with EBRD and in close cooperation with the European Commission, conducts SME policy reviews.

112. The Stability Pact anti-corruption initiative sets out priority measures to fight corruption in the region. In addition to secretariat functions, OECD is responsible for promoting good governance, fighting bribery and corruption in business transactions, and strengthening civil society. The initiative's monitoring mechanism includes a steering group composed of target and donor countries and lead agencies. At its fourth meeting, held in Washington, D.C., in April 2002, the steering group continued to review progress made under the initiative. A round table was held in Slovenia in May 2002 on the theme "Building open government in South-Eastern Europe: information, consultation and public participation" and identified a set of priority areas for action, including ensuring a consistent legal framework for access to government information; building capacity for effective consultation; developing mutually acceptable rules for government engagement with civil society; and enhancing the transparency of the NGO sector.[5]

Organization for Security and Cooperation in Europe

113. The Organization for Security and Cooperation in Europe (OSCE) contributes to strengthening institutional capacities, enhancing civil society and mobilizing political support for addressing economic and environmental issues with potential national and regional security implications.

114. During the past year, OSCE has worked to strengthen the economic and environmental capacities of Ukraine. OSCE has placed special focus on the development of good governance and transparency by facilitating the implementation of the Aarhus Convention, which is the EU water framework directive, and combating corruption. It assisted the Ukrainian Government in the elaboration of a comprehensive programme related to the conversion to civilian uses of former military personnel and sites.

115. OSCE has been requested to provide support to the GUUAM countries (Georgia, Ukraine, Uzbekistan, Azerbaijan and the Republic of Moldova) to facilitate the implementation of the free trade agreement signed in July 2003 by the heads of State of those countries. In cooperation with Ukraine, a working party meeting on the GUUAM free trade agreement was organized in Kyiv. The event gathered high-ranking officials and experts and representatives of international and regional organizations (the European Free Trade Area, the Central European Free Trade Area, Black Sea Economic Cooperation Organization, Eurasian Economic Community, World Bank and EU), research and economic policy institutes, OSCE participating States and the OSCE Chairman-in-Office. The working party identified several areas of technical assistance to facilitate the implementation of the GUUAM free trade agreement.

IV. Conclusions

116. **During the period under review and with broad-based international support, the reconstruction and recovery process in South-Eastern Europe continued to advance. Capacity- and institution-building rather than emergency relief initiatives have become the centrepiece of both bilateral and multilateral assistance. That shift reflected the changing needs of the affected countries as they moved towards economic, social and political stabilization. Bilateral and multilateral initiatives adhered, in general, to the framework of the Stability Pact for South-Eastern Europe. The relevant components of the United Nations system, including the international financial institutions, have continued to assist the affected countries. Specifically and in response to changing needs, interventions focused on infrastructure development, environmental protection, rural development, curbing trafficking in human beings, macroeconomic and financial stability, trade, investment and private-sector promotion.**

117. **Under the regional reconstruction and development strategy, global and regional development partners were accorded lead roles in key sectors, such as infrastructure development and promotion of the private sector (EIB and EBRD), the investment compact and the anti-corruption initiative (OECD) and overall economic framework and donor coordination (European Union and World Bank). Continued donor support, the participation of regional organizations and the involvement of the private sector will be essential for reconstruction, stabilization and development in the Balkans.**

Notes

[1] Since Kosovo is under the interim administration of the United Nations, pursuant to Security Council resolution 1244 (1999), assistance activities carried out there are considered separately in the report.

[2] See *Economic Survey of Europe, 1999, No. 2* (United Nations publication, Sales No. E.99.II.E.3).

[3] Officially reported rates of unemployment are likely to overestimate the extent of real unemployment due to the presence of an extensive shadow economy.

[4] See *Economic Survey of Europe, 1999, No. 2* (United Nations publication, Sales No. E.99.II.E.3).

[5] See Organisation for Economic Cooperation and Development, "South-Eastern Europe regional programme 2002".